



2025-2026 General Assembly

HOUSE BILL 737:

Department of Insurance Omnibus Bill, Part IV:

Changes to the North Carolina Professional Employer Organization Act.

Analysis of: S.L. 2025-45, Part IV

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Part IV of S.L. 2025-45 (House Bill 737) makes the following changes to the North Carolina Professional Employer Organization Act (PEO Act):

- Adds definitions for "tangible net worth" and "working capital."
- Allows two or more persons controlled by the same entity to be licensed under the PEO Act.
- Requires an applicant to file with the Commissioner of Insurance (Commissioner) information on the education and business experience of all officers and controlling persons of the applicant and audited financial statements, which may be consolidated among all individuals applying for a PEO group license.
- Allows the Commissioner to accept the audited financial statement of an applicant's parent company under specified circumstances.
- Adds the following new grounds upon which the Commissioner is authorized to deny an applicant's license:
 - An officer, director, or other controlling person does not meet the requirements applicable to a controlling person under the PEO Act.
 - The applicant is not current with respect to its obligations for payroll, payroll-related taxes, workers' compensation insurance, and employee benefits and has failed to satisfy the Commissioner as to why it is not current.
 - The applicant does not possess a tangible net worth of at least \$50,000 and positive working capital or adequate substitute surety bond.
 - The applicant has failed to provide evidence satisfactory to the Commissioner of its financial responsibility or has failed to meet its requirement to furnish a surety bond or irrevocable letter of credit meeting statutory requirements.
 - Any other ground upon which the Commissioner could take disciplinary action against a person subject to licensure requirements under the PEO Act.
- Requires licensees to annually provide audited financial statements and solvency attestations to the Commissioner.
- Changes the deadline for required quarterly filings to 60 days after the end of the quarter.
- Adds the following requirements for *de minimis* registration: (i) not being domiciled in North Carolina, (ii) not expressly directing advertisements to employers in North Carolina, and (iii) being licensed in one other state.

This Part became effective July 1, 2025, and applies to applications for initial licensure or renewal on or after that date.

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